

## Message Text

CONFIDENTIAL

PAGE 01 LISBON 04717 01 OF 02 181330Z  
ACTION EUR-08

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C O N F I D E N T I A L SECTION 1 OF 2 LISBON 4717

LIMDIS

E.O. 11652: GDS  
TAGS: MARR, PFOR, PO  
SUBJ: AZORES BASE TALKS: JUNE 17 MEETING

SUMMARY: INFORMAL TALKS JUNE 17 WITH GOP INTERAGENCY GROUP REGISTERED PROGRESS. MODALITIES AND LIMITATIONS ON USG ASSISTANCE WERE SET FORTH. PORTUGUESE AGREED TO REEXAMINE DESIRE FOR MILITARY INFRASTRUCTURE ASSISTANCE. AZOREAN REP AGREED TO PRIORITIZE REGIONAL GOVERNMENT'S PROPOSED DEVELOPMENT PROJECTS. QUESTION OF PORTUGUESE WORK FORCE AT LAJES WAS DISCUSSED. IT WAS AGREED LABOR RELATIONS SHOULD NOT BE PART OF BASE NEGOTIATIONS, BUT SHOULD CONTINUE TO BE HANDLED VIA ESTABLISHED TECHNICAL CHANNELS. VILLAS BOAS PLANS TO RECONVENE HIS TASK FORCE MIDDLE OF NEXT WEEK AND TO EXCHANGE VIEWS WITH US JUNE 24. END SUMMARY.

1. JUNE 17 MEETING: GOP AND USG REPS MET INFORMALLY FOR TWO HOURS AT FONMIN JUNE 17. MEETING WAS CORDIAL THROUGH-OUT AND USEFUL IN CLARIFYING VIEWPOINTS ON NUMEROUS ISSUES. TAKING PART ON PORTUGUESE SIDE: VILLAS BOAS, FONMIN (CHAIRMAN); GEN. WILTON PEREIRA, REP OF ARMED FORCES GENERAL STAFF; DR. JOSE MONJARDINO, REP OF AZOREAN REGIONAL GOVERNMENT; FINMIN REP; PLANNING MIN REP; PEDRO ALVES MACHADO, CONFIDENTIAL

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PAGE 02 LISBON 04717 01 OF 02 181330Z

FONMIN. US SIDE: AMBASSADOR CARLUCCI; DEPASSTSEC BARBOUR; MR. ANNUNZIATA, DOD/ISA; DCM OKUN; BGEN WIGLEY, COMUSFORAZ; GLENN PATTERSON, EMBASSY/USAID.

2. MILITARY: US SIDE STRESSED THE LIMITATIONS OF ASSISTANCE WHICH COULD BE MADE AVAILABLE IN CONJUNCTION WITH RENEWAL OF THE AGREEMENT, PARTICULARLY THE LEGAL AND CONGRESSIONAL

LIMITATIONS, AND OUR DESIRE TO AVOID THE IMPRESSION THAT WE ARE PAYING "RENT" TO NATO ALLIES. GEN. PEREIRA PROPOSED THAT ALL MILITARY ASSISTANCE BE INFRASTRUCTURE PROJECTS. WE RESPONDED THAT SUCH INFRASTRUCTURE PROJECTS WOULD BE DIFFICULT TO JUSTIFY UNLESS THEY WERE CLEARLY RELATED TO A US MILITARY MISSION. MILITARY-RELATED EQUIPMENT ASSISTANCE, AS WE HAVE ALREADY BEEN PROVIDING, WOULD BE MORE EASILY JUSTIFIABLE. GEN. PEREIRA SAID HE HAD A STRONG DIRECTIVE ON THIS SUBJECT BUT AGREED TO RE-EXAMINE THE MILITARY REQUESTS. WE AGREED TO LOOK AT THE INFRASTRUCTURE ITEMS PROPOSED, PARTICULARLY FOR EQUIPMENT OR TRAINING PORTIONS WHICH COULD POSSIBLY BE FUNDED.

3. MILITARY INFRASTRUCTURE PROJECTS MENTIONED INCLUDED GUARANTEE OF FOUR MILLION MAN-HOURS ANNUALLY OF WORK AT ALVERCA; CONSTRUCTION OF INSTRUCTIONAL, MANUFACTURING, AND HOSPITAL FACILITIES; CONSTRUCTION AND REPAIR WORK AT LAJES AND OTHER AIRFIELDS; NAVAL ARSENAL CONSTRUCTION; REPAIR SHOPS; AND OTHER PROJECTS. (VILLAS BOAS ESTIMATED TOTAL COST OF THESE PROJECTS AT \$60-70 DOLLARS.)

4. QUERIED RE MILITARY DESIRE FOR INFRASTRUCTURE PROJECTS RATHER THAN EQUIPMENT, GEN. PEREIRA REPLIED HE WAS UNDER INSTRUCTIONS, AND THAT THE INTENT WAS TO DERIVE LONGER-LASTING PRODUCTIVE BENEFITS. HE AGREED TO CONSIDER OUR SUGGESTION THAT PORTUGAL TRANSFER SOME OF ITS OWN MILITARY EQUIPMENT BUDGET FOR THESE INFRASTRUCTURE ITEMS AND APPLY OUR MILITARY ASSISTANCE CONTRIBUTION PRIMARILY TOWARDS EQUIPMENT.

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PAGE 03 LISBON 04717 01 OF 02 181330Z

5. ECONOMIC: MONJARDINO SPOKE ON AZOREAN REQUESTS FOR ECONOMIC ASSISTANCE. AFTER EXPOUNDING ON RIGHT GRANTED BY PORTUGUESE CONSTITUTION THAT AZOREAN PARTICIPATE IN BASE TALKS, HE NOTED THAT AZOREAN GOVERNMENT HAD BEEN SPECIFICALLY CHARGED BY REGIONAL ASSEMBLY TO SEEK ECONOMIC AID IN CERTAIN SECTORS. HE NOTED -- AND REITERATED -- THAT REGIONAL GOVERNMENT HAD NOT QUANTIFIED ITS DESIRES.

6. (BEFORE LARGE MEETING VILLAS BOAS HAD INFORMED US AZOREAN LIST ENVISAGED PROJECT AID IN FOLLOWING SECTORS:

- TRANSPORTATION: MARITIME AND AIR, INTRA-ISLAND AND BETWEEN THE ARCHIPELAGO AND THE CONTINENT.
- HARBOR DEVELOPMENT: PRAIA DA VITORIA, SANTA MARIA, AND GRACIOSA.
- GEOTHERMAL ENERGY: PRODUCTION, TRANSPORTATION, DISTRIBUTION.
- BASIC SANITATION.
- HEALTH CARE: ESPECIALLY FOR CHILDREN

AND THE ELDERLY.

-- SCHOOL CONSTRUCTION.  
-- TELECOMMUNICATIONS.)

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PAGE 01 LISBON 04717 02 OF 02 181400Z  
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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 4717

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7. ASKED IF HE COULD BE MORE SPECIFIC, MONJARDINO REPLIED HE COULD NOT, NOTING THAT MANDATE FROM REGIONAL ASSEMBLY WAS QUITE GENERAL. ONLY DETAILS WERE ON HARBORS -- 3 PORTS MENTIONED.

8. STRESSING THE GOOD WILL AND SYMPATHY OF THE USG AND PEOPLE FOR THE PEOPLE OF THE AZORES, AMBASSADOR CARLUCCI NOTED OUR CURRENT AID PROGRAMS ARE ABOUT DOUBLE PER CAPITA IN THE AZORES THAN IN THE REST OF PORTUGAL. MONJARDINO ACKNOWLEDGED THIS AND STATED AZOREAN INCOME PER CAPITA IS LOWER THAN MAINLAND PORTUGAL. BARBOUR EMPHASIZED US SYMPATHY FOR THE AZOREANS, POINTING OUT THAT THE MEANS AT OUR DISPOSAL WERE NECESSARILY LIMITED. THIS HAD TO BE UNDERSTOOD. IT WOULD BE NECESSARY TO ESTABLISH PRIORITIES.

9. MONJARDINO STATED HE WAS NOT ABLE AT PRESENT TO SET FORTH ANY PRIORITIES. AFTER FURTHER DISCUSSION OF THIS POINT, HE AGREED ON THE NEED TO PRIORITIZE THE REGIONAL GOVERNMENT'S PROPOSED DEVELOPMENT PROJECTS.

10. LABOR ISSUE: GOP SIDE RAISED QUESTION OF THE PORTUGUESE CIVILIAN WORK FORCE EMPLOYED BY COMUSFORAZ AND IT WAS DISCUSSED AT LENGTH. GEN. PEREIRA SUPPORTED  
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PAGE 02 LISBON 04717 02 OF 02 181400Z

THE NEED TO UPDATE THE 1957 TECHNICAL ACCORD ON LABOR. AT CONCLUSION OF DISCUSSION IT WAS AGREED THAT LABOR RELATIONS DID NOT PROPERLY FALL WITHIN BASE RENEWAL NEGOTIATIONS. IT WAS A TECHNICAL MATTER WHICH SHOULD AND COULD BE HANDLED VIA ESTABLISHED TECHNICAL MILITARY-TO-MILITARY CHANNELS. THE US SIDE STATED ITS READINESS TO CONSIDER UPDATING THE MOST RECENT (1976) LABOR CONTRACTS.

11. LENGTH OF EXTENSION: WE REITERATED OUR DESIRE FOR A TEN-YEAR EXTENSION. SPEAKING FOR AZOREANS, MONJARDINO STATED PREFERENCE FOR SEVEN YEARS.

12. NEXT STEPS: VILLAS BOAS TOLD US BEFORE LARGE MEETING, HE PLANS TO RECONVENE HIS INTERAGENCY TASK FORCE BY MIDDLE OF NEXT WEEK TO FURTHER REFINE THEIR THINKING. MINDFUL OF CONGRESSIONAL ACTION ON \$300 MILLION LOAN WE PERSUADED HIM TO MEET AND EXCHANGE IDEAS WITH US AGAIN ON FRIDAY, JUNE 24.

13. COMMENT: MEETING WAS DEFINITELY USEFUL. AIR WAS CLEARED SOMEWHAT IN INFORMAL ATMOSPHERE, AND WE HOPE AZOREANS WILL BE MORE REALISTIC. IT IS QUITE CLEAR, HOWEVER, THAT VILLAS BOAS IS PERPLEXED BY AZOREANS AND UNABLE TO HANDLE THEM ON HIS OWN. FOR WHATEVER REASON, PROBABLY PORTUGUESE DOMESTIC POLITICS, AZOREANS DID NOT HAVE THEIR REGULAR REPRESENTATIVE, REIS LEITE, PRESENT FOR JUNE 17 MEETING. HE LEFT LISBON FOR AZORES PREVIOUS EVENING CLAIMING URGENT BUSINESS. VILLAS BOAS TOLD US THIS WAS CLEARLY A FICTION, BUT HAD NO EXPLANATION FOR AZOREAN BEHAVIOR. HE IS COUNTING ON US SOMEHOW TO PULL THE RABBIT OUT OF THE HAT WITH THE AZOREANS.

14. IN ORDER TO DO THIS, IT IS LIKELY WE WILL HAVE TO COME UP WITH SOME KIND OF MODEL PACKAGE WHICH WE CAN THEN SELL TO THE AZOREANS. WHILE WE DISCUSSED THE \$120 MILLION (60/60) FIGURE WITH VILLAS BOAS, HE SUGGESTED WE NOT

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PAGE 03 LISBON 04717 02 OF 02 181400Z

MENTION IT TO THE TASKS FORCE AT THIS SESSION. USAID LISBON WILL TRY TO WORK OUT MORE CONCRETE PROPOSALS WITHIN THE SIXTY MILLION FIGURE WHICH COULD BE USED TO ASSIST THE AZOREAN GOVERNMENT IN "SETTING PRIORITIES" SINCE OUR BEST GUESS IS THAT THEY ARE UNLIKELY TO DO THIS ON THEIR OWN.

15. ON THE MILITARY SIDE, THE REAL REASON THE PORTUGUESE ARMED FORCES WANT INFRASTRUCTURE IS THAT THEY ARE AFRAID

OF CRITICISM FROM THE AZOREANS, AND OTHERS, IF THEY ACCEPT EQUIPMENT. REGARDLESS OF THEIR RESPONSE TO OUR REQUEST FOR A RECONSIDERATION OF THEIR STAND, WE HAVE TO GIVE THOUGHT TO THE RELATIONSHIP BETWEEN THE MILITARY QUID AND THE ON-GOING MODERNIZATION PROGRAM. THE LATTER SHOULD STAND ON ITS OWN MERITS, ALTHOUGH SOME NEEDS CAN OBVIOUSLY BE MET THROUGH THE AZORES QUID IF THE MILITARY DO DECIDE TO ACCEPT EQUIPMENT. WE URGE THAT THE DEPARTMENT AND DOD ATTEMPT TO OBTAIN A CLEAR UNDERSTANDING WITH OMB AND CONGRESS ON THIS POINT.  
CARLUCCI

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## Message Attributes

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PROGRESS, MODALITIES AND LIMITATIONS ON  
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